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Report of the Trade and Development Board on its fifty-first executive session*

Geneva, 29 to 30 November and 2 December 2010

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* The present document is an advance version of the report of the Trade and Development Board on its fifty-first executive session, held at the United Nations Office at Geneva from 29 to 30 November and on 2 December 2010. It will appear in final form, together with the reports on the fifty-second executive session, the fifty-third executive session and the fifty-eighth session of the Board, as *Official Records of the General Assembly, Sixty-sixth Session, Supplement No. 15* (A/66/15).

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Introduction

The fifty-first executive session of the Trade and Development Board was held at the Palais des Nations, Geneva, 29 and 30 November and 2 December 2010. In the course of the session, the Board held three plenary meetings.

I. Agreed conclusions

Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010

(Agenda item 2)

The Trade and Development Board

1. *Takes note* of UNCTAD's *Least Developed Countries Report 2010* entitled *Towards a New International Development Architecture for LDCs*, appreciates the thoroughness of the report, and encourages the international community to further discuss its conclusions and recommendations, which will serve as an input from UNCTAD to the Fourth United Nations Conference on the Least Developed Countries (LDC-IV), to be held in Istanbul, Turkey, in 2011;

2. *Takes note* also of *UNCTAD's Appraisal of the Implementation of the Brussels Programme of Action for LDCs for the Decade 2001-2010* (UNCTAD/ALDC/2009/2) and encourages the secretariat, with the support of member States, to continue undertaking case studies and comparative analysis on key sectors of interest to the least developed countries (LDCs), with a view to identifying successful and less successful experiences and enhancing exchange of best practices among and between LDCs;

3. *Expresses* significant concern at the deep-rooted structural weaknesses of LDCs, which have been further exacerbated by the adverse impacts of the recent global financial and economic crisis, as well as the food crisis and highly volatile energy prices undermining further the growth and development prospects of these countries, exacerbating their vulnerability to external shocks and risking further marginalization of the LDCs in the global economy, and, in this regard, underlines the importance of continued international support measures;

4. *Expresses* further concern that LDCs' progress towards key goals and targets of the Programme of Action and of the Millennium Development Goals is slow, varied and uneven, with little prospect for LDCs to reduce extreme poverty by half by 2015, if the current trends persist;

5. *Notes* the urgency for LDCs to diversify and modernize their economies through developing their productive capacities to achieve substantial and lasting poverty reduction in order to arrest and reverse their continued marginalization. Reiterates that adequate international support is essential in this regard and will contribute to LDCs' integration into the international economy in a beneficial manner;

6. *Reiterates* that the primary responsibility for development in LDCs rests with LDCs themselves, but that their efforts need to be given concrete and substantial international support from Governments and international organizations

in the spirit of shared responsibility through genuine partnership, including with civil society and the private sector;

7. *Recalls* that the number of LDCs has doubled since the 1970s, and thus encourages the international community to take note of the proposal of UNCTAD concerning finance, trade, international commodity policy, technology and climate change adaptation, including through new and more inclusive approaches to sustainable development;

8. *Further recalls* that, if economic growth is to have real impact on poverty reduction in LDCs, it must be robust, sustained, inclusive and broad-based, and it should be accompanied by improved productive and supply capacities, investments in social sectors, diversification and an increase in value addition. While export diversification into value addition, manufacturing and services is important, horizontal diversification, including into non-traditional exports, is crucial for the growth and development prospects of LDCs;

9. *Recalls* paragraph 11 of the outcome of the High-level Plenary Meeting of the sixty-fifth session of the General Assembly on the Millennium Development Goals (A/64/L.72) for sustainable, inclusive and equitable economic growth, and recognizes the importance of promoting the role of women in this regard;

10. *Appreciates* the development partners for their continued support to LDCs, and urges them to step up efforts to meet those official development assistance targets to which they have agreed and to improve the quality of development aid as well as aid effectiveness, including through direct budgetary support and by rebalancing the sectoral composition of development aid with more focus on productive sectors, following the internationally agreed principles on financing for development and on aid effectiveness;

11. *Encourages* countries to untie their aid. LDCs and donors should work together at the international level to review, document and share good practices on aid utilization and management, with a view to reinforcing country ownership;

12. *Recalls* paragraph 65 of the Accra Accord regarding all countries honouring their respective commitments on duty-free and quota-free market access for LDCs, as provided for in the Ministerial Declaration of the Sixth World Trade Organization Ministerial Conference. In this regard, commends those developed countries that have provided duty-free and quota-free market access to all products of all LDCs, and encourages those developed countries that have not yet done so to provide similar access expeditiously. Also commends the developing countries that have provided duty-free and quota-free market access to LDCs and encourages developing countries declaring themselves in a position to do so to make progress in this regard;

13. *Reaffirms* the importance of assisting LDCs in ensuring long-term debt sustainability through coordinated policies aimed at fostering debt financing, all forms of debt relief, and debt restructuring, as appropriate, based on existing frameworks and principles. Despite progress made through existing debt relief initiatives, the external debt burden remains a major problem for LDCs;

14. *Notes* that building entrepreneurship and enhancing the role of the private sectors is key to strengthening the competitiveness of LDC economies, including through enhanced efforts by all stakeholders to facilitate access to and

encourage the transfer of technology and know-how, as well as by building technological capabilities and innovation in LDCs. In this regard, particular attention should be given to development assistance, for example through infrastructure development, technological upgrading and innovation, and commodities sector development;

15. *Notes with satisfaction* the increasing importance of South-South cooperation between LDCs and other developing countries, which is complementary to rather than a substitute for North-South cooperation;

16. *Urges* UNCTAD, within its' mandate, to further intensify its technical cooperation programmes for LDCs, including through the Enhanced Integrated Framework, to contribute towards capacity-building for trade mainstreaming (by drawing on its policy analysis and research work complemented by support towards the design and development of relevant trade-related technical assistance), and particularly to assist LDCs in the negotiations at the World Trade Organization;

17. *Appreciates* the contributors to UNCTAD's LDC Trust Fund, expresses concern that the fund never reached its intended level, and invites donors and potential donors in a position to do so to make financial contributions to the Trust Fund for use in accordance with the terms of reference of the Trust Fund to ensure, inter alia, full and effective participation of LDC representatives and their civil society actors in the preparatory processes to LDC-IV and at the conference itself. The Trust Fund remains an important vehicle, complementing regular budget resources, for initiating, designing and implementing technical cooperation and capacity-building activities in LDCs;

18. *Calls for* establishing efficient and effective monitoring and review of the implementation of the outcome of LDC-IV, with a view, inter alia, to identifying remaining challenges, evaluating progress and proposing further policy actions for implementation;

19. *Urges* UNCTAD, within its mandate, to contribute to substantive and technical implementation of the outcome of LDC-IV;

20. *Requests* the Secretary-General of UNCTAD to ensure that adequate provisions are made to carry out the mandated activities of UNCTAD to follow up on the LDC-IV outcomes;

21. *Recalls* previous Trade and Development Board decisions and Working Party agreed conclusions to enhance resources for the Division for Africa, Least Developed Countries and Special Programmes; expresses deep concern that, despite these decisions and conclusions, the resources within the Division remain seriously inadequate, which has been seriously impeding the work of the Division, and therefore reiterates its request to the Secretary-General of UNCTAD to consider this issue on a priority basis to ensure that the Division concerned is provided with adequate regular resources to carry out its mandated activities and to report back at the next regular session of the Board.

Closing plenary meeting
2 December 2010

II. Chair's summary

A. Opening plenary meeting

1. The following speakers made statements: Mr. Petko Draganov, Deputy Secretary-General of UNCTAD; the representative of Cuba, speaking on behalf of the Group of 77 and China; the representative of Nepal, speaking on behalf of the Least Developed Countries (LDCs); the representative of Bangladesh, speaking on behalf of the Asian Group; the representative of Egypt, speaking on behalf of the African Group; the representative of Belgium, speaking on behalf of the European Union; the representative of the Dominican Republic, speaking on behalf of the Group of Latin American and Caribbean Countries (GRULAC); the representative of the United States of America; the representative of China; the representative of Turkey; the representative of Lesotho; the representative of France; the representative of Ethiopia; the representative of Thailand; the representative of the Bolivarian Republic of Venezuela; the representative of Yemen; and the representative of Angola.

2. Ms. Jo Elizabeth Butler, Officer-in-Charge and Deputy Director, Division for Africa, Least Developed Countries and Special Programmes (ALDC), discussed UNCTAD's work on the implementation of the Brussels Programme of Action and preparations for the Fourth United Nations Conference on the Least Developed Countries (LDC-IV). Mr. Charles Gore, Head of Research and Policy Analysis, ALDC, and Ms. Zeljka Kozul-Wright, Chief of the LDC Unit, ALDC, introduced the *Least Developed Countries Report, 2010*.

3. The participants agreed that, in the preparations for LDC-IV, it was important to revisit the effectiveness of the current international support mechanisms, identify the lessons learnt, and suggest alternative approaches that could address LDC-specific structural weaknesses, since "business-as-usual" would not do. At the same time, the lack of productive capacities in LDCs should be considered in light of the new development challenges that confronted the LDCs, most notably the growing economic cooperation among South-South partners and the adverse consequences of climate change. Some delegations emphasized that UNCTAD's work on LDCs should go beyond LDC-IV, and that should also encompass work on quantitative goals and adequate monitoring mechanisms for the objectives that would be agreed on at the upcoming conference in Istanbul.

4. UNCTAD's analysis of the progress of LDCs since the adoption of the Brussels Programme of Action, showing that these countries had witnessed only modest and uneven results in their economic conditions, with poverty remaining extremely widespread, was welcomed by all the discussants. The fundamental question asked in the *Least Developed Countries Report, 2010* was "How should the international community support the LDCs in the next decade?" Giving LDCs more aid or simply improving the existing support measures was likely to be insufficient given the old and the new challenges LDCs were confronted with in the wake of the crisis. In that regard, the report provided three key messages. First, despite their rapid economic growth in the previous decade and their apparent macroeconomic resilience during the global recession, LDCs had overall continued to be characterized by weak development of productive capacities, as highlighted by the fact that, even during the boom, over half (27) of the LDCs were experiencing de-industrialization. Second, existing international support measures for LDCs had a

symbolic rather than a practical impact on development, and in addition the global economic regime was not conducive for LDC development. Third, and in light of the previous points, a New International Development Architecture (NIDA) for the LDCs was called for. NIDA, as a comprehensive and integrated policy framework, should rest on five pillars: finance, trade, technology, commodities, and climate change adaptation and mitigation.

5. Several speakers emphasized that, for the previous three decades, LDCs had worked with a model of development that failed to achieve their income convergence with both developed and other developing countries, and had been unable to prevent the number of poor people in LDCs from increasing to 421 million — twice as many as in 1980. Despite their rapid economic growth in the so-called boom period of 2002-2007, LDCs continued to be characterized by a weakly diversified economic structure, limited development of their productive capacities and sluggish progress on the Millennium Development Goals (MDGs) front. As emphasized in various UNCTAD studies and publications, it was imperative for LDCs to diversify their economies; in that respect, however, neither the international support measures put in place so far nor the buoyancy of the recent growth episode had adequately addressed LDCs' long-term structural weaknesses.

6. In addition, several speakers noted with concern that the so-called triple crises — namely the food, fuel and global financial and economic crises — had exposed the vulnerabilities of LDCs and reversed some of the gains made over the previous boom period. The slow recovery and the continuation of the debt problems in developed countries jeopardized LDCs' medium- to long-term outlook and made the achievement of MDGs even less likely than before the crises.

7. All delegates welcomed the *Least Developed Countries Report, 2010* and expressed their appreciation for its comprehensive approach to LDCs' structural weaknesses and to the related call for a New International Development Architecture for the LDCs. Numerous speakers suggested that NIDA was equally relevant for all developing countries, not only the LDCs. There was a growing consensus about the need to identify alternative development strategies and related policies, learning from the past successful and less successful stories in both LDCs and other developing countries. In that regard, UNCTAD's sector-specific and country-specific case studies — which had identified some of the key trade and economic challenges LDCs faced — were welcomed. UNCTAD was called upon to continue preparing *Least Developed Countries Reports*, as well as specific case studies in the future, with a view to drawing concrete and practical lessons in diversity of development experiences.

8. Furthermore, several speakers noted that more research and analysis was needed in areas such as (a) harnessing the contribution of foreign direct investment, remittances and human capital accumulation to the development of LDCs; (b) integrating the social dimensions (from demography and migration to the MDGs) and "good governance" into the analysis of LDCs' development challenges; and (c) how to address the specific needs of conflict and post-conflict States. A few delegates also underscored the need for greater synergies among different development agencies that operated in and worked specifically on issues of interest to the LDCs.

9. Numerous speakers supported UNCTAD's views on the imperative need to meet official development assistance commitments by donor countries, strengthen

South-South cooperation and provide LDC governments with greater ownership and policy space. Many speakers agreed with the specific proposals of the Report that were geared toward exploring the structural transformation of their economic structures and strengthening the policy framework for agriculture and food security.

10. It was noted that the upcoming LDC-IV provided an opportunity to call for new approaches, focused not only on improving existing international support mechanisms (ISMs), but also on new deliverables. One delegation argued in that respect that more emphasis should be placed on practical deliverables with key priorities, rather than on overarching proposals that were less likely to garner international support.

11. Other participants emphasized the need to improve preferential market access for LDC exports, to remove non-tariff trade barriers and to simplify the rules of origin. Several speakers appreciated the support expressed in the Report for the "early harvest" of the Doha Round negotiations, including the full implementation of duty-free, quota-free market access from all LDCs. In addition, market access should be supported by the development of supply-side capacities of LDCs, and the Aid for Trade and Enhanced Integrated Framework were considered crucial for that.

12. One speaker disagreed with the proposal of granting duty-free, quota-free treatment to all exports originating in the LDCs, and another disagreed with the recommendation of allowing greater flexibilities in the intellectual property rights regime for LDC economies. One intervention additionally warned that the State could certainly play a role that was conducive for LDC development, but should not become a substitute for a thriving private sector. Finally, one delegation emphasized the need to prevent expansion of mandates within international institutions, which could create duplications and give rise to shadow negotiations.

B. Panel session — From global crisis to sustainable development: the scope for a New International Development Architecture for the least developed countries

13. The panellists for the session were: Mr. Charles Gore, Head of Research and Policy Analysis Branch, ALDC; Ms. Stephany Griffith-Jones, Financial Markets Programme Director, Initiative for Policy Dialogue, Columbia University, New York, United States of America; and Mr. Fantu Cheru, Research Director, Nordic Africa Institute, Uppsala, Sweden.

14. Mr. Gore outlined the key findings of the *Least Developed Countries Report, 2010*, noting that, despite the rapid growth of the LDC economies, as well as their "apparent macroeconomic resilience" during the global recession, the LDCs continued to face dire development challenges. To address entrenched weaknesses in their economic structure due to a lack of productive capacities, the establishment of a New International Development Architecture (NIDA) and of a new generation of international support mechanisms (ISMs) was necessary. Any improvement in the current ISMs for LDCs was likely to be insufficient without a broader reform of the prevailing global economic regime, while those in turn should be complemented by a conducive pattern of South-South cooperation.

15. Ms. Griffith-Jones noted that, over the previous decade, LDCs had witnessed some significant economic improvements, albeit uneven and unsustainable. However,

she emphasized the need to reform the existing development framework and to recognize that the ISMs should be a complement to — and not a substitute for — a reform of the global economic regimes, including a greater emphasis on productive capacities and countercyclical macroeconomic intervention, and ultimately the need for a better balance between State and market. She suggested that that the international community should consider curbing short-term capital flows and carry-trade, which affected mainly emerging economies, but also LDCs. That would have positive effects not only on developing countries, preventing undue exchange rate appreciation and currency instability, but also for developed countries, which would reduce capital outflows — i.e. aggregate demand leakages — in a period of deep recession. The recent financial crisis suggested that the role of special drawing rights (SDR), regional development banks and sovereign wealth funds should be strengthened in order to provide additional development finance for LDCs and developing countries alike. Further, it was urgent to explore the possibility of taxing and regulating commodity derivative markets, and to set up a global counter-cyclical facility with limited conditionality and fast-track disbursement.

16. Mr. Cheru maintained that a shared and consistent political will was crucial, given that past LDC-oriented initiatives had fallen short of the goal in terms of compliance, commitment and overall coherence. While the financial crisis and global recession had a significant adverse impact on the LDC economies, they also opened some new opportunities for LDCs. On the one hand, the growing "economic weight" of Southern partners offered a more diversified market outlet for LDC exports; on the other, additional foreign savings and innovative investment approaches could result from the way surplus countries invested their funds at a moment in which troubled developed economies did not offer adequate investment opportunities.

17. For LDCs to fully harness the potential benefits accruing from the growth of some emerging economies and South-South partners, it was felt that the international community should focus increasingly on regional leaders to catalyse regional momentum for economic reforms. Finally, it should put a greater emphasis on regional integration schemes with the aim of pooling resources to adequately provide regional public goods.

18. Numerous speakers welcomed the emerging consensus on the need to strengthen support to LDCs, and the recognition of problems with the prevailing development architecture. However, some participants noted that, although some specific reforms had already been implemented, much remained to be done regarding the global financial architecture and the issue of the international reserve currency.

19. Some participants reiterated the importance of ensuring greater coordination of UNCTAD's work with that of other organizations. It was felt that, while agencies had different comparative advantages, the coherence of the overall approach would be crucial for the success of LDC-IV. Similarly, participants noted the potential synergies between NIDA and the "decent work agenda" of the International Labour Organization.

20. With regard to trade policies, several participants reiterated the importance of trade as an engine for development and productivity growth, whilst calling for a strengthening of the Enhanced Integrated Framework and greater efforts on delivering Aid for Trade commitments. Additionally, several delegations noted that

all flexibilities under the WTO regime available to LDCs should be fully exploited; however, many participants noted the narrow policy options and constraints faced by several LDCs due to bilateral and regional treaties (art. 24 of WTO) or other policy conditionalities imposed by the international financial institutions. It was noted by participants that the situation could call for an extension of the LDC status to similar developing countries with which LDCs had signed regional trade agreements. While recognizing the importance of using the flexibilities granted in the existing trade agreements, some participants warned against resorting to protectionist measures. Finally, participants recognized the importance of successfully concluding the Doha Round of trade negotiations.

III. Organizational matters

A. Opening of the session

21. The fifty-first executive session of the Trade and Development Board was opened by Mr. Ibrahim S. M. Al-Adoofi (Yemen), Vice-President of the Board.

B. Adoption of the agenda and organization of work

(Agenda item 1)

22. At its opening plenary meeting, the Trade and Development Board adopted the provisional agenda for the session, as contained in document TD/B/EX(51)/1. The agenda was thus as follows:

1. Adoption of the agenda and organization of work
2. Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010:
   (a) The *Least Developed Countries Report 2010*. Elements of a new international development architecture for LDCs: the role of international support mechanisms
   (b) UNCTAD-wide activities in implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010: ninth progress report
   (c) UNCTAD's contribution to the preparatory process of and to the Fourth United Nations Conference on the Least Developed Countries, 2011
3. Report of the Board on its fifty-first executive session

C. Outcome of the session

23. At its closing plenary meeting, on Thursday, 2 December 2010, the Trade and Development Board adopted its agreed conclusions (see chapter I).

D. Adoption of the report

(Agenda item 3)

24. The Trade and Development Board authorized the Chair to finalize the report after the conclusion of the meeting.

Annex

Attendance[a]

1. Representatives of the following States members of the Trade and Development Board attended the session:

Algeria
Angola
Azerbaijan
Bangladesh
Belarus
Belgium
Benin
Bhutan
Brazil
Bulgaria
Cambodia
Canada
Chad
Chile
China
Côte d'Ivoire
Cuba
Cyprus
Czech Republic
Democratic People's Republic of Korea
Denmark
Dominican Republic
Egypt
Estonia
Ethiopia
Finland
France
Gabon
Germany
Guinea
Haiti
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Italy
Japan
Lesotho
Luxembourg
Madagascar
Malaysia
Mali
Malta
Mexico
Morocco
Myanmar
Nepal
Nigeria
Norway
Oman
Philippines
Poland
Portugal
Russian Federation
Saudi Arabia
Serbia
Spain
Switzerland
Thailand
Turkey
Ukraine
United States of America
Venezuela (Bolivarian Republic o
Viet Nam
Yemen
Zambia

[a] For the list of participants, see TD/B/EX(51)/Inf.1.

2. Representatives of the following States members of UNCTAD but not members of the Trade and Development Board attended the session:

Cape Verde

Holy See

3. The following intergovernmental organizations were represented at the session:

African Union

Common Fund for Commodities

European Union

Organisation internationale de la francophonie

South Centre

4. The following United Nations Organization was represented at the session:

International Trade Centre UNCTAD/WTO

5. The following specialized agencies and related organizations were represented at the session:

International Telecommunication Union (ITU)

World Intellectual Property Organization (WIPO)

World Trade Organization (WTO)

6. The following non-governmental organizations were represented at the session:

General Category

Ingénieurs du monde

Register

Al-Hakim Foundation

7. The following panellists participated in the session:

Ms. Stephany Griffith-Jones, Financial Markets Programme Director, Initiative for Policy Dialogue, Columbia University, New York, United States of America

Mr. Fantu Cheru, Research Director, Nordic Africa Institute, Uppsala, Sweden